



STUDENT LOANS

A GUIDE FOR STUDENTS AND PARENTS



IowaCollegeAid.gov

Our Mission

We advocate for, and provide a continuum of services to support, Iowa students and families as they explore and finance educational opportunities beyond high school.



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Should I borrow a student loan?

If you still need money to cover educational expenses after you have exhausted other aid and employment opportunities, student loans can be a good option. Just remember, student loan money is for financing your education, not your lifestyle. Student loans are real money that must be repaid with interest, so borrow only what you need.

There are several different education loans, both federal and private, that are described in this brochure. When deciding which loan is best for you, keep in mind that federal loans are usually less expensive, have more repayment options, offer deferment and forbearance options to postpone payments, and have loan forgiveness opportunities not available for private loans. Private loans are best used as a last resort to finance any expenses that remain after family resources, scholarships, grants, institutional aid, student employment and federal loans have been exhausted.

How Much to Borrow

Don't borrow more than you need! Consider how much of your future paycheck will be needed to repay your loans. Repayment begins shortly after you graduate or withdraw, or your enrollment drops below half time.

10-year Repayment Schedule

Total Loan Balance	Loan Payment* by Interest Rate				
	3.4%	4.5%	5.6%	6.8%	7.9%
\$1,000	\$50	\$50	\$50	\$50	\$50
\$2,500	\$50	\$50	\$50	\$50	\$50
\$3,500	\$50	\$50	\$50	\$50	\$50
\$4,500	\$50	\$50	\$50	\$52	\$55
\$5,500	\$54	\$57	\$60	\$64	\$67
\$10,000	\$98	\$103	\$110	\$115	\$121
\$15,000	\$148	\$155	\$164	\$173	\$182
\$20,000	\$197	\$207	\$218	\$230	\$242
\$30,000	\$295	\$311	\$327	\$346	\$363
\$40,000	\$394	\$415	\$436	\$461	\$484

* Find payment amounts for other balances, interest rates and repayment plans with the online calculator at www.direct.ed.gov/calculator



Organization Leads to Successful Repayment

Don't be overwhelmed by the notices, statements and other paperwork you receive regarding your student loans. These papers contain important loan information, such as balances, interest rates and any borrower benefits you are entitled to receive. Create a "Student Loans" folder and place your loan papers in this folder as they are received so you can ensure you have all the necessary information to successfully repay your loans after graduation.

www.IowaCollegeAid.gov

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STAFFORD LOAN SUMMARY

Interest Rates: Stafford Loans first disbursed on or after July 1, 2006 have fixed interest rates. The rates differ based on when the loan is first disbursed, whether the loan is for an undergraduate or graduate student and whether the Stafford Loan is subsidized or unsubsidized. The chart on the right outlines the fixed interest rates. The corresponding rate is effective for the entire life of each loan.

Interest rates for loans disbursed prior to July 1, 2006, can be accessed through the National Student Loan Data System (www.nslds.ed.gov).

Fees: The Stafford Loan Origination Fee is 1% for loans disbursed on or after July 1, 2010.

Eligibility: There are two types of Stafford Loans – subsidized and unsubsidized. Your eligibility for both types is determined by the Free Application for Federal Student Aid (FAFSA).

Subsidized Stafford Loans are restricted to borrowers with demonstrated financial need. If you are eligible for a subsidized Stafford Loan, the federal government pays the interest while you are enrolled at least half time and during periods of authorized deferment. Interest will accrue during the six-month grace period for loans first disbursed on or after July 1, 2012 but before July 1, 2014.

Unsubsidized Stafford Loans are not awarded based on financial need. You will be charged interest from the time you receive the funds until the loan is paid in full. If you do not pay the interest while you are in school, it will be capitalized (added to the principal amount of your loan) when you enter repayment.

Loan Limits: The federal government limits the amount students may borrow each year. The limits are shown in the chart above.

¹ Effective for loans first disbursed on or after July 1, 2012, graduate and professional students are no longer eligible to receive subsidized Stafford loans. However, if you are a graduate or professional student, you may still qualify for up to \$20,500 in unsubsidized Stafford loans each year.

Federal Stafford Loan Interest Rates

Loans first disbursed:	Undergraduate Subsidized Stafford	Undergraduate Unsubsidized Stafford	Graduate/Professional Sub ¹ and Unsub Stafford
On or after July 1, 2006	6.8% fixed	6.8% fixed	6.8% fixed
On or after July 1, 2008	6.0% fixed	6.8% fixed	6.8% fixed
On or after July 1, 2009	5.6% fixed	6.8% fixed	6.8% fixed
On or after July 1, 2010	4.5% fixed	6.8% fixed	6.8% fixed
On or after July 1, 2011	3.4% fixed	6.8% fixed	6.8% fixed
On or after July 1, 2012	3.4% fixed	6.8% fixed	6.8% fixed

Maximum Federal Loan Limit Amounts

	Subsidized and Unsubsidized Stafford	
Borrower's academic level	Annual amount for dependent	Annual amount for independent ²
1st-year undergraduate [subsidized limit is \$3,500]	\$5,500	\$9,500
2nd-year undergraduate [subsidized limit is \$4,500]	\$6,500	\$10,500
3rd-year and beyond [subsidized limit is \$5,500]	\$7,500	\$12,500
Graduate/Professional ¹	N/A	\$20,500
	Aggregate	Aggregate
Undergraduate	\$31,000 [subsidized limit is \$23,000]	\$57,500 [subsidized limit is \$23,000]
Graduate/Professional Student ¹	N/A	\$138,500 combined

² If you are age 24 or older, a graduate or professional student, married, a student with legal dependents other than a spouse, a veteran of the U.S. Armed Forces, currently serving on active duty in the U.S. Armed Forces for other than training purposes or an orphan or ward of the court (or were until age 18), you are considered independent.

PERKINS LOANS

Interest Rate: The Perkins Loan interest rate is fixed at 5%. The federal government pays the interest while you are enrolled at least half time, during the nine-month grace period, and during periods of authorized deferment.

Eligibility: Both undergraduate and graduate students with exceptional financial need may be eligible. Your FAFSA data will be used to determine your eligibility.

Loan Limits: The maximum amount is \$5,500 per year for undergraduate students, and \$8,000 per year for graduate students. Some schools have lower limits based on the availability of Perkins loan funds.

Repayment: You repay this loan to your college or university or their servicer. You are given nine months after you graduate, leave school, or drop below half-time status before you must begin repayment. Contact your financial aid office for additional information.

PLUS LOAN SUMMARY

Parent PLUS Loans are available to parents of undergraduate students and Grad PLUS Loans are available to graduate/professional students to pay for educational expenses. Parent PLUS and Grad PLUS Loans are federally insured and offer deferment, forbearance, and repayment options. Typically, Parent PLUS and Grad PLUS Loans are used to pay unmet educational expenses. They may also be used as an alternative to private student loans.

Eligibility:

- Any natural or adoptive parent (or the spouse of a custodial parent who is remarried) with a dependent undergraduate student who is enrolled at least half time.
- Any graduate or professional student who is enrolled at least half time.

Parent PLUS and Grad PLUS Loan borrowers are subject to credit checks. Adverse credit may prohibit borrowing in these programs. If a parent borrower is denied a Parent PLUS Loan, the dependent undergraduate student is eligible for additional unsubsidized Stafford Loan amounts. Contact financial aid officials at your college if you have questions.

Interest Rates: The interest rate is fixed at 7.9%.

Interest rates for loans disbursed prior to July 1, 2006, can be accessed through the Federal Student Aid website (www.studentaid.ed.gov).

Fees: The PLUS Loan Origination Fee is 4%.

Repayment: The first payment is due within 60 days of the date the loan is fully disbursed. Parent PLUS Loan borrowers whose loan is first disbursed on or after July 1, 2008 may request postponement of repayment while the student for whom the loan was borrowed is enrolled at least half time. The postponement includes a six-month grace period after the student ceases to be enrolled at least half time. In-school deferment is available to postpone payments for Grad PLUS Loan borrowers who are enrolled at least half time and for the six-month period thereafter. All borrowers are entitled to a 10-year repayment term, with a minimum yearly payment amount of \$600 to be repaid in installments consistent with the borrower's selected repayment plan.

Loan Limits: There is no annual or aggregate limit. A borrower may request an amount equal to the cost of education, minus any other financial aid the received.

LOAN FORGIVENESS

Loan forgiveness programs exist at the state and federal levels. These programs are designed to encourage graduates to serve in high-need professions by offering loan forgiveness or cancellation to reduce student loan debt.

Loan forgiveness and cancellation programs are available for professional shortage areas such as:

- Teaching
- Nursing
- Public Service
- Federal Employment
- Military Service

Detailed information about loan forgiveness and cancellation programs for Federal Stafford and Perkins Loans can be found on our website: www.iowaCollegeAid.gov.

PRIVATE LOANS

Private education loans are available to students and families who need additional funding when other sources of financial aid do not cover the cost of education. Students should only use private education loans if they have taken advantage of the full range of federal and state aid offered to them through their college or university financial aid office. Private education loans are not federally insured and may be more costly than Federal Stafford or PLUS Loans.

There are many types of private education loans available, all with unique origination fees and interest rate structures. You should carefully evaluate a private education loan before applying.

Private education loans are available from many major banking institutions, credit unions and education loan providers. If you are interested in borrowing a private education loan, you should start by contacting your financial aid office for assistance. Before borrowing a private education loan, you should contact each lending institution to learn the terms and conditions of their private loan products in order to make an informed decision.